HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK

Kitchener and Guelph CMAs

Canada Mortgage and Housing Corporation

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New Home Market

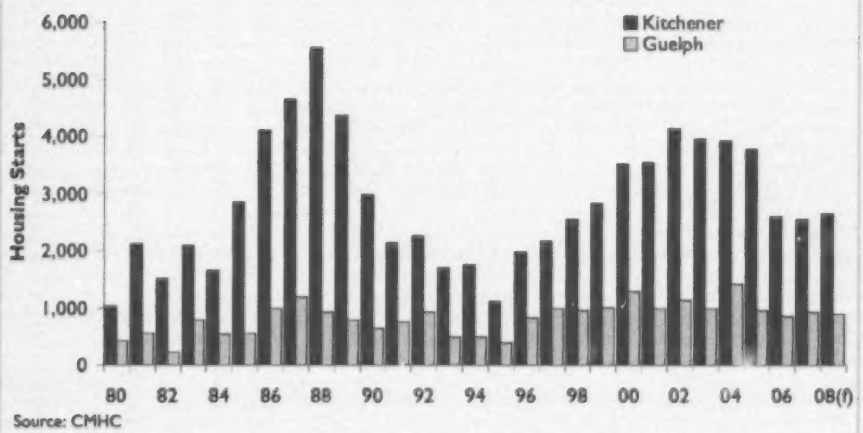
Starts to Plateau

Home starts in the Kitchener CMA will reach 2,650 in 2008, up six per cent from the expected 2,550 starts in 2007. Guelph CMA housing starts in 2008 will slip three per cent to 900 from the forecasted 930 starts in 2007. Rising new home prices, greater choice in the resale home market and less than robust labour markets in the Kitchener-Guelph area will keep housing starts below the annual average recorded in the first half of the decade.

Expect single-detached starts in the Kitchener CMA to reach 1,100 in 2008, up five per cent from the very weak 1,050 units forecast for 2007. The supply of lots in registered and draft approved plans is adequate, but

Figure 1

Housing Starts Plateau



Source: CMHC

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the release of lots for single-detached development has slowed.

Single-detached st cs in the Guelph CMA will fall by five per cent to 550 units in 2008, but remain the product of choice for homebuyers. The modest performance reflects rising singles prices and competition from the resale market. New single-detached homes are becoming more expensive to buy, affecting both single and multiple home starts. The price differential between new and resale homes is widening. With an adequate supply of new listings in the resale home market, homebuyers have much to choose from in terms of type and price.

Multiple-family home starts in the Kitchener CMA will increase three per cent to 1,550 units in 2008, while Guelph CMA multiple starts remain unchanged at 350. Multiple-family homes (which include semi-detached, townhouses and apartments) will continue to be a less expensive option to higher-priced single-detached homes. The average new single-detached house price is more than 25 per cent higher than the average existing single-detached house price. The Places to Grow Act encourages more compact development on greenfield land and infill housing, shifting the focus toward higher density forms of housing. In the long term, an ageing population which will lead to an increase in the number of empty-nester households supports the demand for multiple-family type dwellings. This implies multiple-family home starts will represent a larger share of new construction in several years.

Single-detached new homes prices will rise about four per cent in 2008. Only 14 per cent of newly absorbed single-detached homes are currently priced below $250,000, down from 42 per cent in 2005. The New Home Price Index (NHPI) for the Kitchener CMA, which measures changes in prices of new houses of constant quality, will move higher by two per cent in 2008. Builders, who bring product to market, will need to keep prices low in order to compete with the resale home market.

Resale Market

Strong Existing Home Sales to Continue

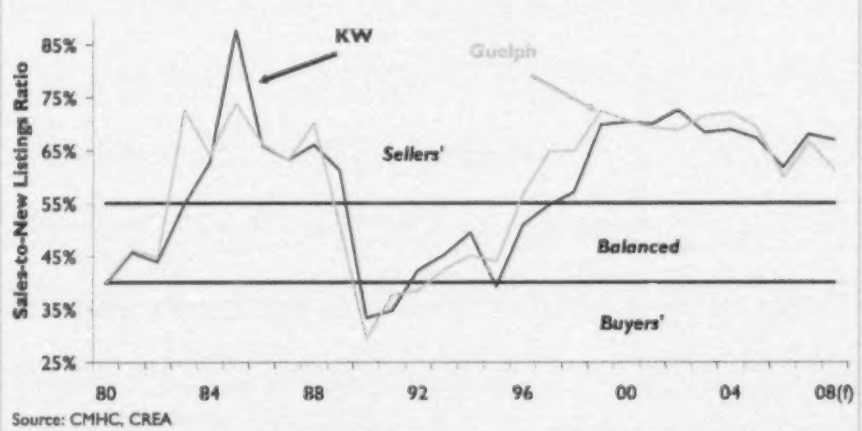
Existing home sales will remain at very high levels throughout the Kitchener-Guelph area in 2008. Sales through the Kitchener-Waterloo Real Estate Board will slip slightly to 6,700 in 2008, down four per cent from the expected record 7,000 sales in 2007. Sales through the Guelph and District Real Estate Board will decline six per cent to 3,000 in 2008 from the record 3,200 sales in 2007. Relatively more affordable existing home prices, a high level of new listings, low mortgage carrying costs through diverse home financing options, limited choice in the new home market and continued population growth will contribute to the record sales in 2007 and only a slight pullback for sales in 2008.

Expect new listings to reach 10,000 in KW and 4,900 in Guelph in 2008. The supply of new listings has been trending higher since 2000. As house prices continued to rise, homeowners have been encouraged to list their homes for sale. New listings will remain high in 2008, but virtually unchanged from 2007 levels. The ample choice will encourage potential homebuyers to begin their search for a home in the resale home market.

Despite the high level of new listings, demand has outpaced supply. The resale markets in the Kitchener-Guelph area will remain tight and continue to favour sellers. Market tightness is measured by the sales-to-new listings ratio (SNLR). The SNLR is expected to be around 65 per cent in KW and 60 per cent in Guelph in 2008.

Figure 2

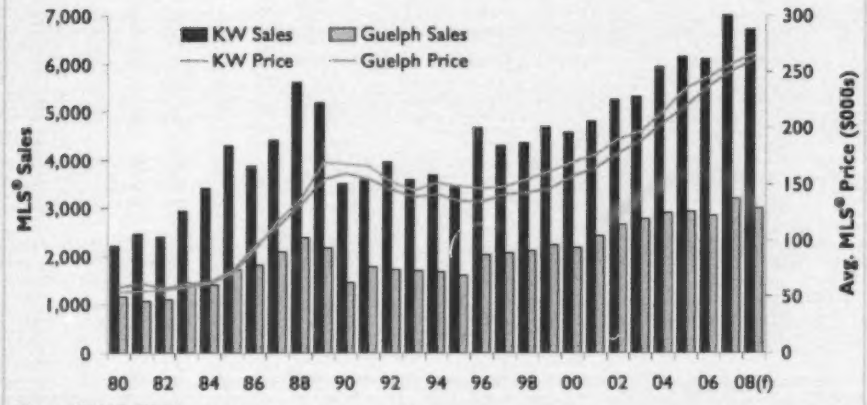
Resale Home Markets Sellers' in 2008



Source: CMHC, CREA

Figure 3

Sales Volume Flattens, while Prices Keep Rising



Source: CMHC, CREA

Anticipated strong seller's market conditions imply prices will be growing faster than inflation. The average price of an existing home in KW is expected to rise to $262,000 in 2008, an increase of just over four per cent. First-time and cost-conscious homebuyers continue to enter the resale home market. Over 50 per cent of the homes sold through the KW Real Estate Board were priced under $250,000. Guelph resale home prices are forecast to increase by 3.5 per cent in 2008.

Economic Trends

Job Growth Rebounds

Economic activity in the Kitchener-Guelph area slowed in 2007, but will pick up again in 2008. Employment will remain at a high level. Employment is forecast to increase by 1.2 per cent in the Kitchener CMA and by 1.8 per cent in the Guelph CMA in 2008.

The goods-producing sector will be a drag on the local economy. The manufacturing sector employs close to a quarter of the area's workforce and thousands of jobs have been lost due to less demand from the US and a steadily appreciating Canadian dollar. In September, the Canadian dollar flirted with parity with the US dollar. Several manufacturing companies in the area continue to lay off workers due to the high cost of production. On the other hand, employment in the services sector has been steadily growing and has offset these losses. The only weak component of the services sector is trade, both retail and wholesale. In the technology sector, employers may be trying to fill have as many as 2,000 jobs at any one time.

Good news on the horizon for employment in the area is the opening of the Woodstock Toyota plant and plans by Linamar Corporation, the largest employer in Guelph, to expand their line of products and establish a technology centre.

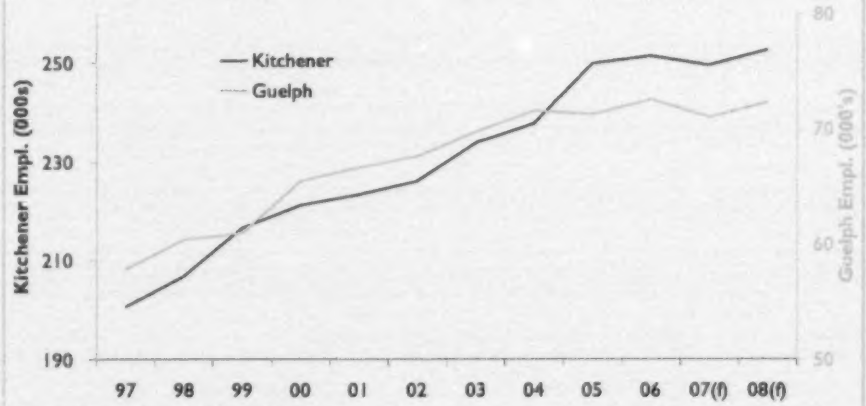
Population Growth to Continue

The 2006 Census shows that the number of households in the Kitchener-Guelph area increased by more than ten per cent between 2001 and 2006. In the Kitchener CMA alone, there were 15,000 more households in 2006 than in 2001.

Although birth rates have declined, immigration and intra-provincial migration have been the drivers behind population growth and household formation. Despite an outflow of migrants to other provinces, net migration into the Kitchener CMA is expected to reach 3,000 persons in

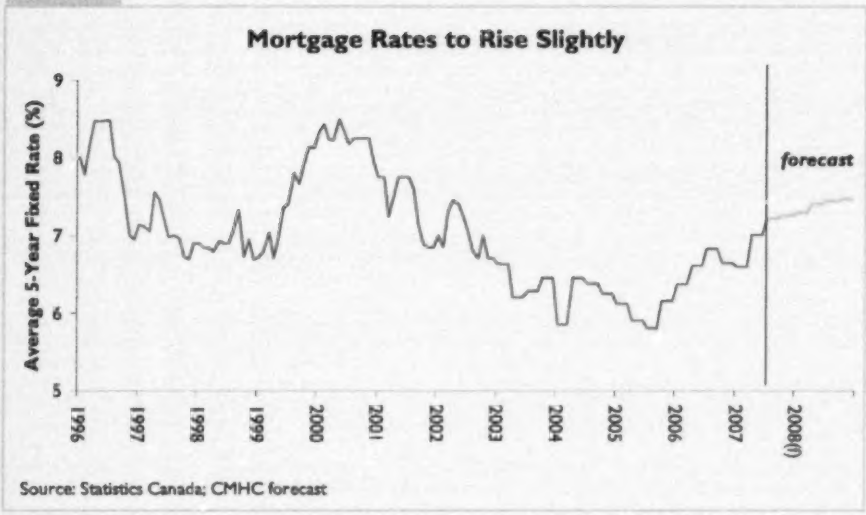
Figure 4

Employment Levels Plateau



Source: Statistics Canada, Labour Force Survey

Figure 4



Source: Statistics Canada; CMHC forecast

2008. With employment growth at the provincial level and lower home prices than in the GTA, migrants are attracted to the Kitchener area.

Mortgage Interest Rates

Mortgage rates are expected to remain flat through the end of 2007. While still low by historical norms, mortgage rates are expected to rise gradually by 25-50 basis points in 2008. The one year posted mortgage rate is forecast to be in the 6.50-7.50 per cent range, while three and five year posted mortgage rates are forecast to be in the 6.75-7.75 per cent range in 2008.

Forecast Summary
Kitchener CMA
Fall 2007

	2004	2005	2006	2007f	% chg	2008f	% chg
Resale Market							
MLS® Sales	5,931	6,147	6,115	7,000	14.5	6,700	-4.3
MLS® New Listings	8,601	9,127	9,896	10,300	4.1	10,000	-2.9
MLS® Average Price ($)	205,639	220,511	237,913	251,000	5.5	262,000	4.4
New Home Market							
Starts:							
Single-Detached	2,374	2,082	1,542	1,050	-31.9	1,100	4.8
Multiples	1,538	1,681	1,057	1,500	41.9	1,550	3.3
Semi-Detached	194	116	210	180	-14.3	200	11.1
Row/Townhouse	669	918	545	550	0.9	600	9.1
Apartments	675	647	302	770	155.0	750	-2.6
Starts - Total	3,912	3,763	2,599	2,550	-1.9	2,650	3.9
Average Price ($):							
Single-Detached	256,115	287,623	313,149	348,000	11.1	368,000	5.7
New Housing Price Index (% chg.)	4.5	5.0	4.1	1.5	-	2.0	-
Rental Market							
October Vacancy Rate (%)	3.5	3.3	3.3	3.8	0.5	3.5	-0.3
Two-bedroom Average Rent (October) ($)	765	811	824	840	1.9	857	2.0
Economic Overview							
Mortgage Rate (1 year) (%)	4.80	5.80	6.30	6.86	0.56	7.19	0.33
Mortgage Rate (5 year) (%)	6.05	6.30	6.45	7.02	0.57	7.41	0.39
Annual Employment Level	237,300	249,900	251,400	249,400	-0.8	252,500	1.2
Employment Growth (%)	1.5	5.3	0.6	-0.8	-	1.2	-
Unemployment rate (%)	5.1	5.7	5.2	5.5	-	5.7	-
Net Migration	4,699	3,556	3,372	3,000	-11.0	3,000	0.0

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

Forecast Summary Guelph CMA Fall 2007							
	2004	2005	2006	2007f	% chg	2008f	% chg
Resale Market							
MLS® Sales	2,918	2,932	2,859	3,200	11.9	3,000	-6.3
MLS® New Listings	4,042	4,223	4,771	4,850	1.7	4,900	1.0
MLS® Average Price ($)	215,511	236,140	245,676	258,000	5.0	267,000	3.5
New Home Market							
Starts:							
Single-Detached	866	566	485	580	19.6	550	-5.2
Multiples	554	385	379	350	-7.7	350	0.0
Semi-Detached	50	70	80	60	-25.0	60	0.0
Row/Townhouse	242	282	205	250	22.0	240	-4.0
Apartments	262	33	94	40	-57.4	50	25.0
Starts - Total	1,420	951	864	930	7.6	900	-3.2
Average Price ($):							
Single-Detached	266,582	300,001	342,330	370,000	8.1	392,000	5.9
New Housing Price Index (% chg.) (Ont.)	5.6	4.6	3.7	n/a	-	n/a	-
Rental Market							
October Vacancy Rate (%)	3.3	3.6	2.8	3.2	0.4	3.0	-0.2
Two-bedroom Average Rent (October) ($)	829	830	839	845	0.7	862	2.0
Economic Overview							
Mortgage Rate (1 year) (%)	4.80	5.80	6.30	6.86	0.56	7.19	0.33
Mortgage Rate (5 year) (%)	6.05	6.30	6.45	7.02	0.57	7.41	0.39
Annual Employment Level	71,525	71,250	72,575	71,000	-2.2	72,300	1.8
Employment Growth (%)	2.6	-0.4	1.9	-2.2	-	1.8	-
Unemployment rate (%)	4.7	4.7	5.4	6.2	-	6.0	-
Net Migration (Ont.)	101,730	98,768	68,759	57,932	-15.7	64,500	11.3

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Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

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